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CoreCivic clobbered on debt sale, rival's news. Prison operator raises \$450M to pay down other notes

Shares of private prison operator CoreCivic lost 17 percent of their value Wednesday after the company said it was raising debt and the leaders of its largest peer said they are suspending their dividend payments. Brentwood-based CoreCivic said early in the day it planned to raise \$400 million in debt. Around the same time, executives of rival GEO Group said they are halting quarterly dividend payments and evaluating the company's status as a real estate investment trust. (CoreCivic moved on from its tax-friendly REIT structure several months ago.) Both companies are facing the loss of several federal contracts in coming years after the Biden administration's Department of Justice said it would not renew deals. CoreCivic shares (Ticker: CXW) fell 5 percent out of the gate Wednesday after closing the previous afternoon at \$9.05. But they slid steadily for another 90 minutes on heavy volume, and while investors bid them up slightly in the ensuing hours, they ended the day at \$7.51, only slightly above session lows. The drop erased a month's worth of gains for the stock, which has a 52-week low of \$5.76 and is down more than 30 percent year over year. In addition to pressure from D.C., CoreCivic and GEO also are having to deal with a financial sector no longer as interested in funding their work. (Although pledges to stop financing the private prison sector have their limits, Bloomberg reported last week.) Investors also are asking for a juicier return to commit their money: Late on Wednesday, CoreCivic execs said their \$400 million debt plan had grown to \$450 million — but that the company is pricing its five-year notes at 99 percent of their face value and setting their interest rate at 8.25 percent. By comparison, other notable local names Ryman Hospitality Properties, Community Health Systems and Acadia Healthcare have raised debt in recent months pledging to pay investors interest of 4.5 percent, 4.75 percent and 5.0 percent, respectively. CoreCivic CEO Damon Hininger and his team plan to use their debt proceeds of about \$435 million to redeem \$250 million of notes set to mature next year as well as some 2023 debt.